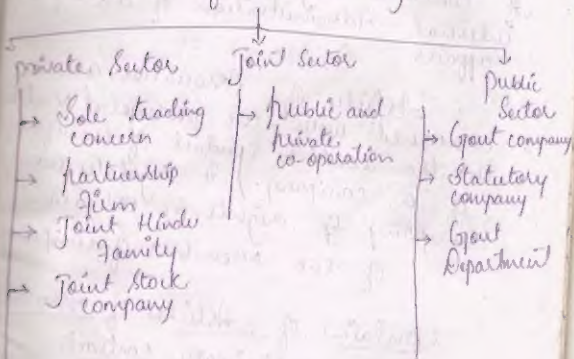


July 2009 Form of Business Organisation

Form of Business Organisation



$$5 = \frac{5}{1}$$

$$5\% = \frac{5}{100}$$

$$2\frac{1}{2} = \frac{5}{2}$$

$$2\frac{1}{2}\% = \frac{5}{200}$$

$$33\frac{1}{3} = \frac{100}{3}$$

$$33\frac{1}{3}\% = \frac{100}{300} = \frac{1}{3}$$

$$66\frac{2}{3}\% = \frac{2}{3}$$

11-15

Annual Depreciation under Straight line Method is

Cost - Scrap Value

3 years

$$\frac{20000 - 2000}{3} = 6000$$

∴ For each of the three years the depreciation is Rs 6000 per Annum

11-16

Annual Depreciation under Straight line Method

Cost - Scrap Value

10 years

$$\frac{50,000 - 10,000}{10 \text{ years}} = 4000$$

Rate of Depreciation is

$$\frac{\text{Annual Depreciation}}{\text{Cost}} \times 100 = 8\%$$

6/11-16

The Book Value After 10% Depreciation is 90%. The Book Value on 31-12-2006 is 72900 (Given). \therefore Book Value on 1-1-2006 is

$$72900 \div 90\% = 81000$$

\therefore Book Value on 1-1-2005 is

$$81000 \div 90\% = 90000$$

\therefore Book Value on 1-1-2004 is

$$90000 \div 90\% = 100000$$

\therefore The Cost of value of Asset is 100000

Depreciation was calculated 3 times on 31-12-2004, 31-12-2005, 31-12-2006

\therefore The Cost of the Machine is $72900 \div 90\% \div 90\% \div 90\% = 100000$

Date

1-1-03

1-1-04

1-1-05

1-1-06

1-1-07

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1-1-09

1-1-10

1-1-11

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1-1-307

Working Notes

	particulars	machine-2	machine-3	machine-4	Total
1-1-05	Bank	40,000	-	-	40,000
1-1-05	Bank	-	20,000	-	20,000
1-1-05	Depreciation	4000	1000	-	5000
1-1-05	Balance	36000	19000	-	55000
1-1-05	Depreciation	3600	1900	-	5500
1-1-05	Balance	34000	17100	-	49500
1-1-05	Bank	-	-	38000	38000
1-1-05	Depreciation	2430	-	-	2430
1-1-05	Bank (Sold)	29970	-	-	29970
1-1-05	profit & loss	25000	-	-	25000
1-1-05	(loss on sale)	4990	-	-	4990
1-1-05	Depreciation	-	1710	950	2660
1-1-05	Balance	-	15390	37050	52440
1-1-05	Depreciation	-	1,539	3705	5244
1-1-05	Balance	-	13851	33345	47196
1-1-05	Depreciation	-	1385	3335	4720
1-1-05	Balance	-	12466	30010	42476

Dr

Machinery a/c

Cr

date	particulars	Amount	date	particulars	Amount
1-05	To Bank a/c	40,000	31-12-03	By Depreciation a/c	5000
1-05	To Bank a/c	20,000	31-12-03	By Balance c/d	55000
		<u>60,000</u>			<u>60,000</u>
1-05	To Balance b/d	55000	31-12-04	By Depreciation a/c	5500
			31-12-04	By Balance c/d	49500
		<u>55000</u>			<u>55000</u>
1-10	To Balance b/d	49500	1-10-05	By Depreciation	2430
1-10	To Bank a/c	38000	1-10-05	By Bank a/c	25000
				(Machine 2 sold)	
			1-10-05	By profit & loss a/c	4920
			31-12-05	By Depreciation a/c	2660
			31-12-05	By Balance c/d	52440
		<u>87500</u>			<u>87500</u>
1-10	To Balance b/d	52440	31-12-06	By Depreciation	5244
			31-12-06	By Balance c/d	47196
		<u>52440</u>			<u>52440</u>
1-10	To Balance b/d	47196	31-12-07	By Depreciation	4720
			31-12-07	By Balance c/d	42476
		<u>47196</u>			<u>47196</u>
1-10	To Balance b/d	42476			

3/11-13

Working Notes

date

1-1-2000

1-1-2000

1-1-2000

1-1-01

1-1-02

1-1-03

1-1-05

1-1-04

1-1-05

1-1-06

Date	particulars	Machine - I	Machine - II	Machine - III	Total
1-1-2000	Bank	12000			20,000
	Bank	8000			10,000
1-1-2000	Bank	-	10,000		30,000
31-12-2000	Depreciation	2000	500		2500
31-12-2000	Balance	18000	9500		27500
1-1-01	Depreciation	2000	1000		3000
31-12-01	Balance	16000	8500		24500
1-1-02	Bank			24000	24000
1-1-02	Depreciation	1000			4500
	Bank	15000			
		4000			
	profit & loss (loss on sale)	11000			
	Bank			24000	16000
31-12-02	Depreciation	-	1000	1200	2200
31-12-02	Balance	-	7500	22800	30300
1-1-03	Depreciation	-	1000	2400	3400
31-12-03	Balance	-	6500	20400	26900
1-1-04	Depreciation	-	1000	2400	3400
31-12-04	Balance	-	5500	18000	23500
1-1-05	Depreciation	-	1000	2400	3400
31-12-05	Balance	-	4500	16600	20100
1-1-06	Balance	-			

Machinery A/c

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date	particulars	Amount	date	particulars	Amount
1-12-00	To Bank a/c	12000	31-12-00	By Depreciation	2500
1-12-00	To Bank a/c	8000	31-12-00	By Balance c/d	22500
1-12-00	To Bank a/c	10,000			32000
		30,000			
1-12-01	To Balance b/d	22500	31-12-01	By Depreciation a/c	3000
			31-12-01	By Balance c/d	24500
		22500			
1-12-02	To Balance b/d	24500	1-1-02	By Depreciation (machine 2)	1000
1-12-02	To Bank a/c	24000	1-7-02	By Bank a/c	4000
			1-7-02	By profit & loss a/c	11000
			31-12-02	By Depreciation	2200
			31-12-02	By Balance c/d	30300
		48500			48500
1-12-03	To Balance b/d	30300	31-12-03	By Depreciation	3400
			31-12-03	By Balance c/d	26900
		30300			30300
1-12-04	To Balance b/d	26900	31-12-04	By Depreciation	3400
			31-12-04	By Balance c/d	23500
		26900			26900
1-12-05	To Balance b/d	23500	31-12-05	By Depreciation	3400
			31-12-05	By Balance c/d	20100
		23500			23500
1-12-06	To Balance b/d	20100			

S/ 8

Working Notes

Particulars	Machine - 1	Machine 2	Machine 3	Total
1-1-91 31-12-90	Balance	9,03,200	$\frac{32000 \times 100}{10}$ 3200	9,32,000
31-12-90	Depreciation	1,00,8000	64800	$\frac{932000 \times 10}{10}$ 1,08,000
1-1-89 31-12-89	Balance	1,00,8000	720,000	1,08,0000
31-12-89	Depreciation	1,12,000	$\frac{72000 \times 100}{10}$ 7200 8000	$\frac{1080000 \times 10}{10}$ 1,20,000
1-1-89	Bank (lost)	1,12,000	80,000 $\frac{80000 \times 100}{10}$ 8000	1,20,0000
1-1-89	Bank (lost)	1,12,000	80,000	1,20,0000
31-12-89	Depreciation (Straight line Method)	1,12,000	8000	1,20,000
31-12-89 1-1-90	Balance	1,00,8000	72000	1,08,9000
31-12-90	Depreciation	1,12,000	8000	1,20,000
31-12-90 1-1-91	Balance	89,6000	64,000	9,60,000
Total Depreciation as per Straight line method				
$1200000 - 960000 = 240000$				
Total Depreciation as per Diminishing Balance Method				
$1200000 - 972000 = 228000$				
∴ The Additional depreciation to be charged in 1991 is				
$240000 - 228000 = 12000$				

Total Depreciation on Second Machine as per
Straight line Method =

$$8000 + 8000 = 16000$$

Total Depreciation as per Diminishing Balance
Method (Second Machine).

$$8000 + 7200 = 15200$$

Additional Depreciation To be charged
To Second Machine =

$$16000 - 15200 = 800$$

∴ Additional Depreciation to be charged to
Machine 3 in 1991 is 12000

$$12000 - 800 = 11200$$

1-1-91	Balance	Machine 1	Machine 2	Machine 3	Total
		896000	64000	-	960,000
31-12-91	Depreciation	-	4800	-	
			60,000		
	Bank (sold)		59200		
	Profit & Loss acc.		45000		
	(on sale)		<u>14200</u>		
	Bank (pur)			150,000	
	Bank (instal)			8000	
				<u>158000</u>	158000
					<u>1118000</u>
					64000
31-12-91	Depreciation	(12000 + 11200)	-		<u>1054000</u>
		123200		2900	131100
		<u>272800</u>		150100	922900

1/1/10

Balance

Date	particulars	Dr	Cr	Balance
1/1/10	Balance			50000
1/1/10	Bank	2000		48000
1/1/10	Depreciation	2000		46000
1/1/10	Depreciation	2000		44000
1/1/10	Depreciation	2000		42000
1/1/10	Depreciation	2000		40000
1/1/10	Depreciation	2000		38000
1/1/10	Depreciation	2000		36000
1/1/10	Depreciation	2000		34000
1/1/10	Depreciation	2000		32000
1/1/10	Depreciation	2000		30000
1/1/10	Depreciation	2000		28000
1/1/10	Depreciation	2000		26000
1/1/10	Depreciation	2000		24000
1/1/10	Depreciation	2000		22000
1/1/10	Depreciation	2000		20000
1/1/10	Depreciation	2000		18000
1/1/10	Depreciation	2000		16000
1/1/10	Depreciation	2000		14000
1/1/10	Depreciation	2000		12000
1/1/10	Depreciation	2000		10000
1/1/10	Depreciation	2000		8000
1/1/10	Depreciation	2000		6000
1/1/10	Depreciation	2000		4000
1/1/10	Depreciation	2000		2000
1/1/10	Depreciation	2000		0

		Date	
370000		By Additional Depreciation	10
370000		By Depreciation	11
		80000 x 1040 x $\frac{1}{12}$	11
Installation 2000		By Bank A/c (Sold	12000
		Machine @)	
		By profit & loss a/c	
		Loss on Sale	
		64000 - 48000 = 48000	110000
		By Depreciation a/c	
		(112000 + 2900)	115
		By Balance c/d	110000
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Working Notes (Straight Line Method)

Date	Particulars	Mar-2	Mar-2	Mar-2	1st
1.7.97	Bank (purchase)	800000			800
30.6.98	Depreciation	160000			1600
30.6.98	Balance	640000			6400
1.7.98					6400
1.1.99	Bank (purchase)		600000		1200
30.6.99	Depreciation	128000	60000		1880
30.6.99	Balance	512000	540000		10800
1.7.99					10800
30.6.2000	Depreciation	102400	108000		21600
30.6.2000	Balance	409600	432000		21600
1.7.2000					21600
30.6.01	Depreciation	81920	64000		11680
30.6.01	Balance	327680	368000		63200
1.7.01					63200

Under Straight Line Method

1.7.97	Bank (pur)	800000			8000
30.6.98	Depreciation	120000			12000
30.6.98	Balance	680000			68000
1.7.98					68000
1.1.99	Bank (purchase)		600000		12000
30.6.99	Depreciation	120000	40000		16000
30.6.99	Balance	560000	560000		116000
1.7.99					116000
30.6.2000	Depreciation	120000	40000		216000

30-6-01 1-7-01	Balance	440000	465000		905000
1-7-01	Depreciation	120000	90000		210000
30-6-01 1-7-01	Balance	320000	375000		695000
1-7-01	Bank (pur)	-	-	1500000	1500000
1-7-01	Depreciation	120000	90000	168750	2195000
30-6-02 1-7-02	Balance	200000	285000	1331250	1816250

Total Depreciation on Diminishing Balance Method from 1-7-97 - 30-6-01
 = 226220

Total Depreciation on Straight line Method from 1-7-97 to 30-6-01
 = 1083750

∴ Gross Depreciation charged
 ∴ Additional Depreciation to be charged ^{Adjusted}
 to Machinery A/c on 1-7-01

$$= 1083750 - 226220 = 857530$$

$$= 226220 - 205000 = 21220$$

Working Notes

Particulars

(a) Amount wrongly Added to Machinery A/c on 30th June 1974 Rs 3000. The Depreciated Value on 1-1-1976 is Rs 3000 - 150 - Half year depreciation for 1974 - Full year depreciation for 1975 = $3000 - 150 - 150$
 $= (3000 \times 10 \times \frac{6}{12}) \times 10\%$
 $= 3000 - 150 - 10\% = 2850$
 is to be deducted from the Machinery A/c on 1-1-76.

(b) The Cost of Machine purchased on 1-10-74 was Rs 1200 + 80 = 1280 was not Added to Machinery A/c. The Book Value of this machine on 1-1-76 was Rs $1280 - \frac{3}{12} \times 10\%$ In 1974 - 10% for 1975 = 32 - 10%
 $= 1280 - 32 - 10\% = 1124$

In 1976 Book value of Machine Sold was 4000 - 10% - 10% on 1-1-1976
 \therefore Depreciation upto date of Sale 162
 \therefore The Book value of the machine on date of Sale $3240 - 162 = 3078$
 \therefore Loss on Sale $3078 - 3000 = 78$

The cost of new Machine purchased on 30-6-76

$$30-6-76 = 6000 + 100 = 6100$$

∴ Depreciation on this Machine is Rs $6100 \times 10\%$

$$= 305$$

The opening Balance in Machinery A/c on

1-1-1976 After corrections is Rs 29800-

Book Value of repairs + purchase of Machine in 1974 at its Book Value.

$$29800 - 2565 + 1124 = 28358 - (2400)$$

∴ Depreciation

Machinery A/c

1-1-76	To Balance b/d	29800	1-1-76	By Repairs (carried)	2565
1-1-76	To Bank Machine purchased on 1-10-74	1124	30-6-76	By Depreciation	162
			30-6-76	By Bank A/c (sold)	3000
30-6-76	To Bank A/c (pur) (including charges)	6100	30-6-76	By Profit & Loss A/c (Loss on Sale 28)	28
			31-12-76	By Depreciation A/c (2512 + 305)	2817
			31-12-76	By Balance c/d	284
		37024			37024

Dr Repair & Renewals Provision A/c Cr

date	particulars	Amount	date	particulars	Amount
1 st year	To Repairs	3000	1 st year	By profit & loss A/c	30,000
1 st year	To Balance c/d	27000			
		<u>30,000</u>			<u>30,000</u>
2 nd year	To Repairs A/c	8000	2 nd year	By Balance b/d	27000
	To Balance c/d	49000	2 nd year	By profit & loss A/c	30,000
		<u>57000</u>			<u>57000</u>
3 rd year	To Repairs A/c	11000	3 rd year	By Balance b/d	49000
	To Balance c/d	68000		By profit & loss A/c	30,000
		<u>79000</u>			<u>79000</u>